

PREPARED BY:
DATE PREPARED:
PHONE:

Mike Lovelace
January 27, 2011
471-0050

LB 410

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	20,522		30,972	
CASH FUNDS	19,200	19,200	4,000	4,000
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	39,722	19,200	34,972	4,000

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 410 creates the Nebraska Appraisal Management Company Registration Act and adds one additional member to Real Property Appraiser Board (Board). The act is operative on January 1, 2012.

The Board is charged with the responsibility to register Appraisal Management Companies (AMCs) and to enforce the provisions of the Act. The Board is given the authority to charge a processing fee of up to \$500 for the initial registration and for each renewal of the two year registration.

The Board has estimated their expenditures to implement LB 410 to total \$39,722 in FY11-12 and \$34,972 in FY 12-13. These expenditures are broken down as follows and are based on the registration of 24 AMCs initially and 5 additional in FY2012-13.

	<u>FY2011-12</u>	<u>FY2012-13</u>
Program Manager	30,000	30,000
Criminal background checks for AMCs	7,200	1,500
Internet accessibility	1,000	1,000
Form development and production	250	0
Additional cost of the new Board member	1,272	1,272
Enforcement investigations	0	1,200
Total expenses	<u>39,722</u>	<u>34,972</u>

Section 7(2) states that the AMC is to submit and pay for the cost of a national criminal history check. Based on this language the Board will be reimbursed for the cost of the criminal background checks (\$7,200 in FY12 and \$1,500 in FY13). The cost of the Program Manager and the additional cost of the new Board member may be lower than estimated by the agency in FY12 given the January 1, 2012 operative date, but without knowing the amount of work that will need to be done prior to January 1 to be ready for the bill to become operational no adjustment has been made to the agency's estimate.

To fund expenditures at this level the Board indicates the initial registration fee needs to be set at \$1,655 per AMC with the two year renewal fee set at \$1,113. This seems to conflict with section 6 of the bill which limits the initial registration fee and renewal fee to \$500, and also conflicts with a two year renewal period [see section 3 (4)] as the Board shows renewal revenue in FY12-13 instead of FY13-14. Based on these observations additional cash fund revenue is estimated as follows.

	<u>FY2011-12</u>	<u>FY2012-13</u>	<u>FY2013-14</u>
FY12 initial registration (\$500 X 24)	12,000		
FY14 renewal (\$500 X 24)			12,000
FY13 initial registration (\$500 X 5)		2,500	
FY14 initial registration (\$500 X 5)			2,500
FY12 background check	7,200		
FY13 background check		1,500	
FY14 background check			1,500
Total revenue	<u>19,200</u>	<u>4,000</u>	<u>16,000</u>

Because estimated expenditures by the Board exceed the estimated revenues by \$20,522 in FY12, \$30,972 in FY13, and continue to show a deficit in future years the implementation will require General Fund support or expenditures will need to be scaled back to fit generated revenue. Given the low number of AMCs estimated to be registered it may be possible for the Board to administer the Act with less than a \$30,000 Program Manager if supervision needs and disciplinary action are not significant.

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LB⁽¹⁾ 410 FISCAL NOTE

LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: ⁽²⁾
Real Property Appraiser Board

Real Estate Appraiser Bd.

Prepared by: ⁽³⁾ Kitty Policky Date Prepared: ⁽⁴⁾ 1/26/2011 Phone: ⁽⁵⁾ 402-471-9015

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2011-2012</u>		<u>FY 2012-2013</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	\$39,722	\$39,722	\$34,972	\$34,984
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$39,722	\$39,722	\$34,972.	\$34,984

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

Federal legislation under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 is a massive piece of financial reform legislation (HR4173) that President Obama signed into law on July 21, 2010. Title XIV, Subtitle F, entitled Appraisal Activities, amends the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, referred to as FIRREA. FIRREA created such regulatory agencies as the Appraisal Subcommittee (ASC) which is part of the Federal Financial Institutions Examination Council (FFIEC) created in under Title XI of FIRREA to: oversee state appraiser regulatory programs; oversee the registration and supervision of Appraisal Management Companies (AMC) by states; and create a national registry of Appraisal Management Companies.

Section 1473 of the act requires that states, in addition to an existing mandate to regulate appraisers, must also regulate appraisal management companies. States must now require that AMCs doing business in their state register with and be supervised by the appraiser regulatory program or the Real Property Appraiser Board in Nebraska. LB410 is introduced to meet the federal law requiring that an AMC registration program be under a state appraiser certifying and licensing agency. The proposed bill is for the Legislature's consideration to effectuate compliance with federal mandate.

Under the act, states will be required to report to the national registry of the Appraisal Subcommittee on a timely basis regarding the issuance and renewals of AMC registrations, investigations, sanctions, disciplinary actions, revocations, and suspensions just as states are required presently to do so in regard to appraisers credentialed by a state regulatory agency. Included with the ASC's oversight of states' AMC regulatory programs, and as is currently the case with appraisers, the ASC must audit every state periodically and report its findings to Congress. The act gives the ASC the power to monitor, audit, and sanction states regarding their appraisers to include AMC, regulatory programs. The oversight will probably incur a registration fee for each AMC under state regulation much the same way as each state must pay a fee for each federally-recognized credential.

Although there seems to be no consensus on the number of Appraisal Management Companies, it has been duly noted in most reports that there are 200 to 350 AMCs nationwide. No AMC that will be affected by regulation is physically located in Nebraska at this time. The projected cost of administration is based on the registration of 24 AMCs.

The act requires a criminal background check for application to be factored in the cost.

The Real Property Appraiser Board projects costs very conservatively. The Board will need to hire a program manager to implement and oversee the requirements of the AMC legislation. A program manager, costing approximately \$30,000, will become a part of the overall regulatory program but the cost to initially implement the program will change the regulatory environment in requiring a modification of the administration. Costs are assessed as follows: an initial fee of approximately \$1,000 to develop internet accessibility; approximately \$7,200 for applicants in meeting the requirement of a criminal background check; approximately \$250.00 for development of forms as prescribed by the Board; a regulatory obligation such as an ASC registration fee that has not been determined at this time; and \$1,272 for the addition of an AMC representative on Real Property Appraiser Board. The initial investment for approximately 24 AMCs would initially cost approximately \$1,655 each with a renewal fee to be established upon the

number of AMC registrations in Nebraska not to exceed the initial fee. There maybe more than 24 AMCs who register in Nebraska but there is no way of predicting which AMC will do business in Nebraska. Statutory obligations under §76-2220 requires . . . “except as provided in section 76-2221, it shall be unlawful for anyone to act as a real property appraiser in this state without first obtaining proper credentialing as required under the Real Property Appraiser Act.” AMCs doing business in Nebraska will be obligated to register under the law.

The final long term cost to be assessed is the enforcement process initiated by public complaints and cases of damage by real estate appraisers in all appraisals connected with federally related transactions. All appraisers must comply with the Uniform Standards of Professional Appraisal Practice but the economic and financial environments as well as the price of doing business triggers complaints. The Board is obligated first and foremost to protect the public and consumer. All complaints filed assume the initial cost of \$300.00 for filing by the Board. The Appraiser Board processes approximately 30 cases each year for an initial cost of \$9,000 to implement disciplinary action for the appraiser profession. The \$300 is simply an initial cost for filing a complaint and does not take into account the cost of litigation and disposition. At this time, there is no estimate of legal costs which may be incurred for a new program, but it would be prudent to estimate approximately the same number of cases as they are related in scope and product.

LB410 does not go into effect until January 1, 2012 but the initial costs remain constant.

11-12 Revenue:

Initial credentialing

Estimated 24 AMCs @ \$1,655.00 = \$39,720.00

11-12 Expenditures:

Program Manager approximately \$30,000.00

Required criminal background check for 24 AMCs = \$7,200.00

Internet accessibility = \$1,000.00

Form development and production = \$250.00

Addition of AMC Board representative @ \$100.00 per diem + expenses park = \$1,272.00

Total 11-12 Expenditures: \$39,722.00

12-13 Revenue:

Initial credentialing

Estimated 5 additional AMC initial applications @ \$1,655.00 = \$8,275.00

Renewal credentialing

Estimated @ \$1,113.00 but not to exceed \$2,000.00 or 24 @ \$1,113.00 = \$26,712

12-13 Expenditures:

Program Manager approximately \$30,000.00

Required criminal background check for 5 AMCs = \$1,500.00

Internet accessibility = \$1,000.00

AMC Board representative @ \$100.00 per diem + expenses parking = \$1,272.00

Enforcement filing @ \$300.00 ea. x 4 = \$1,200

Total 12-13 Expenses = \$34,972.00

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
Program Manager	1	1	\$30,000.00	\$30,000.00
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				

TOTAL.....

